



Audit of the Office of Justice Programs Grant
Awarded to the Northwest New Jersey
Community Action Partnership
Phillipsburg, New Jersey

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22-034

FEBRUARY 2022

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A redaction was made to the full version of this report for privacy reasons. The redaction is contained only in Appendix 4, the grantee's response, and is of an individual's name.



EXECUTIVE SUMMARY

Audit of the Office of Justice Programs Grant Awarded to the Northwest New Jersey Community Action Partnership Phillipsburg, New Jersey

Objectives

The Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA) awarded the Northwest New Jersey Community Action Partnership (NORWESCAP) a grant totaling \$425,000 for the BJA Byrne Criminal Justice Innovation Program. The objectives of this audit were to determine whether costs claimed under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the award; and to determine whether NORWESCAP demonstrated adequate progress towards achieving program goals and objectives.

Results in Brief

As a result of our audit, we concluded that NORWESCAP achieved the award's stated goals and objectives but did not comply with all tested award requirements. This audit did not identify significant concerns regarding NORWESCAP's financial management, budget management, drawdowns, and federal financial reports. However, we identified (1) \$10,843 in unsupported personnel costs associated with a salary and fringe expenditures; and (2) \$39,290 in unsupported equipment expenditures that lacked adequate procurement documentation, \$24,625 in consultant expenditures, and \$34,345 in contract expenditures that are questioned because we determined that NORWESCAP did not ensure reasonableness of the costs.

Recommendations

Our report contains seven recommendations to OJP. We requested responses to our draft audit report from OJP and NORWESCAP, which can be found in Appendices 3 and 4, respectively. Our analysis of those responses is included in Appendix 5.

Audit Results

The purpose of the BJA grant we reviewed was to support local and tribal communities in developing place-based strategies to change neighborhoods of distress into neighborhoods of opportunity. The project period for the grant was from October 2016 through September 2021. At the time of our audit, NORWESCAP drew down a cumulative amount of \$276,908 for the grant we reviewed.

Program Goals and Accomplishments

NORWESCAP has demonstrated progress at achieving its core objectives, to: (1) reduce crime, and (2) improve community safety. Examples of accomplishments for each objective by NORWESCAP are discussed in the body of this report.

Grant Expenditures

We identified \$10,843 in grant funds that were used for salary and fringe benefits that did not have supporting documentation. We also found \$39,290 in equipment expenditures where NORWESCAP did not obtain proper cost data. In addition, we identified \$24,625 in consultant expenditures where NORWESCAP did not appropriately support its selection and payment processes. Finally, we found \$34,345 in sole source contract expenditures that were not appropriately documented.

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Introduction

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of a grant awarded by the Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA), under the Byrne Criminal Justice Innovation Program (BCJI) to the Northwest New Jersey Community Action Partnership (NORWESCAP) in Phillipsburg, New Jersey. NORWESCAP was awarded a grant totaling \$425,000, as shown in Table 1.

Table 1

Grant Awarded to NORWESCAP

Award Number	Program Office	Award Date	Project Period Start Date	Project Period End Date	Award Amount
2016-AJ-BX-0009	OJP	09/26/2016	10/01/2016	09/30/2021	\$425,000

Note: The project period end date listed above reflects a 12-month no-cost extension that OJP approved and finalized with a Grant Adjustment Notice on 09/18/2019.

Source: OJP's Grants Management System

Funding through the BCJI program provides funds for neighborhood revitalization efforts, such as the Neighborhood Revitalization Initiative and Promise Zones, which support local and tribal communities in developing place-based strategies to change neighborhoods of distress into neighborhoods of opportunity.

The Grantee

NORWESCAP is a private, non-profit corporation originally established in 1965 to serve the low-income population of Hunterdon, Sussex, and Warren Counties. It is designated as a 'Community Action Program', which provides access to Federal programs and resources to low-income households. According to NORWESCAP, its mission is to strengthen communities by creating opportunities that improve the lives of low-income individuals and families, and has a vision to help build a community that transforms poverty into opportunity. NORWESCAP works to accomplish this mission through a comprehensive array of strategies, programs, and services that generally fall into six domains or categories of support, including education, employment, financial capacity building, health and nutrition, housing and community development, and volunteerism.

OIG Audit Approach

The objectives of this audit were to determine whether costs claimed under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant; and to determine whether NORWESCAP demonstrated adequate progress towards achieving the program goals and objectives. To accomplish these objectives, we assessed performance in the following areas of grant management: program performance, financial management, expenditures, budget management and control, drawdowns, and federal financial reports.

We tested compliance with what we consider to be the most important conditions of the grant. The DOJ Grants Financial Guide, Title 2 C.F.R. § 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the award documents contain the primary criteria we applied during the audit. We also reviewed relevant policies and procedures and interviewed personnel from NORWESCAP.

The results of our analysis are discussed in detail later in this report. Appendix 1 contains additional information on this audit's objectives, scope, and methodology. The Schedule of Dollar-Related Findings appears in Appendix 2.

Audit Results

Program Performance and Accomplishments

We reviewed required performance reports, grant solicitations, and grant documentations, and interviewed NORWESCAP officials to determine whether NORWESCAP demonstrated adequate progress towards achieving the program goals and objectives. We also reviewed the Byrne Criminal Justice Innovation Program (BCJI) progress reports, to determine if the required reports were timely and accurate. Finally, we evaluated NORWESCAP's special conditions identified in the award documentation and determined there were none that we did not address in other sections of this report.

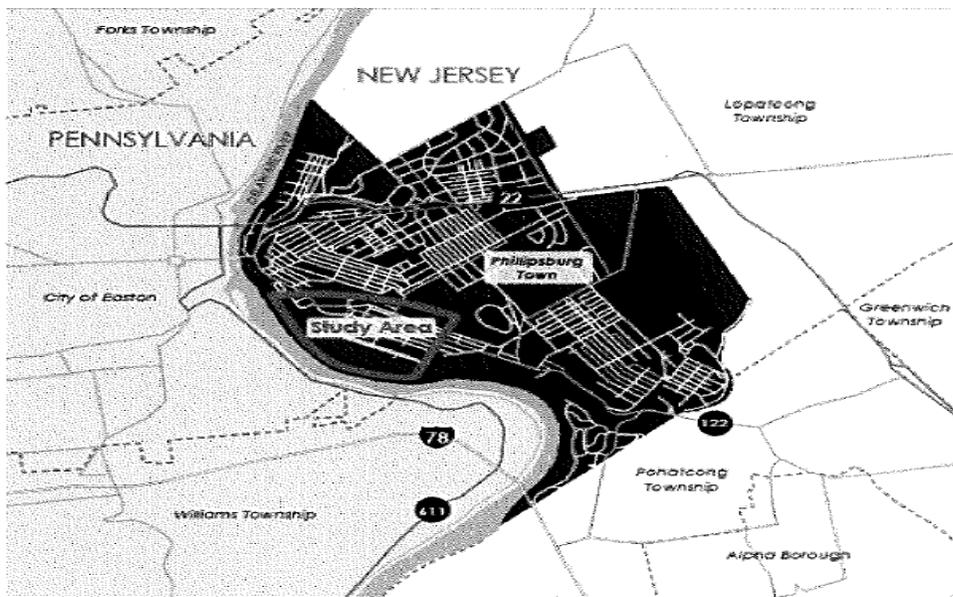
Program Goals and Objectives

The program goals of the BCJI grant program is to reduce crime and improve community safety as part of a comprehensive strategy to advance neighborhood revitalization. Through a broad cross-sector partnership team, including neighborhood residents, BCJI grantees target neighborhoods with hot spots of violent and serious crime and employ data-driven, cross-sector strategies to reduce crime and violence.

NORWESCAP identified Phillipsburg's South Main Street Corridor as the hot zone to use the BCJI grant funds to reduce crime and improve community safety.

Figure 1

Identified Hot Zone for Use of Federal Funds



Source: NORWESCAP Document

According to the BCJI grant solicitation and NORWESCAP's progress reports, the goals and objectives of the award are: (1) place-based strategy, (2) data driven, (3) community oriented, and (4) partnerships and capacity building.

We determined NORWESCAP established a place-based strategy by installing surveillance cameras and lighting in the South Main Street Corridor to increase crime control efforts. NORWESCAP also used surveys and partnered up with a local university to improve its data driven research. NORWESCAP partnered up with local residents and businesses, to continually discuss the ongoing needs and concerns in and around the identified hot zone. NORWESCAP's project coordinator was responsible for the entire project which included scheduling regular meetings and ensuring NORWESCAP's plan is on track. Although there were delays due to furloughs and COVID-19 pandemic restrictions, NORWESCAP officials stated they are on track with the program's goals and objectives.

Based on our review, we did not identify any instances that NORWESCAP was not adequately achieving the stated goals and objectives of the grant. Additionally, during our audit, NORWESCAP informed us that it requested an additional 12-month no cost extension because several scheduled projects were delayed due to furloughs and overtime restrictions during the COVID-19 pandemic. OJP accepted the request and extended the grant to September 30, 2021.

Required Performance Reports

According to the DOJ Grants Financial Guide, the funding recipient should ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in the program solicitation. These progress reports must be submitted within 30 days of the end of a 6-month performance period. If the funding recipient does not submit these reports timely, OJP has an automatic withholding process to prevent drawing down funds until the recipient submits its required reports.

To evaluate the accuracy of the information in NORWESCAP's BCJI progress reports, we selected a sample of eight performance measures from the three most recent reports submitted for the grant. We then traced the items to supporting documentation maintained by NORWESCAP. Based on our progress report testing, we did not identify any instances of untimely progress reports or where the accomplishments described in the required reports did not match the supporting documentation.

Grant Financial Management

According to the DOJ Grants Financial Guide, all grant recipients and subrecipients are required to establish and maintain adequate accounting systems and financial records. To assess NORWESCAP's financial management of the grant covered by this audit, we interviewed financial staff, examined relevant policies and procedures, and inspected award documents to determine whether NORWESCAP adequately safeguards the grant funds we audited. We also reviewed NORWESCAP's Single Audit Reports for FYs 2017, 2018, and 2019 to identify internal control weaknesses and significant non-compliance issues related to federal awards. Finally, we performed testing in the areas that were relevant for the management of this grant, as discussed throughout this report.

Based on our review, we did identify significant concerns related to grant financial management in the Grant Expenditures section of this report. We made four management improvement recommendations in this section to address them.

Single Audit

Non-federal entities that receive federal financial assistance are required to comply with the *Single Audit Act of 1984*, as amended. The Single Audit Act provides for recipients of federal funding above a certain threshold to receive an annual audit of their financial statements and federal expenditures. Under 2 C.F.R. § 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), such entities that expend \$750,000 or more in federal funds within the entity's fiscal year must have a "single audit" performed annually covering all federal funds expended that year. We did not identify any issues in the three Single Audit Reports submitted by NORWESCAP we reviewed.

Grant Expenditures

For Grant Number 2016-AJ-BX-0009, NORWESCAP's approved budget included personnel, fringe benefits, travel, equipment, supplies, consultants, and other expenditures. We tested a sample of transactions to determine whether costs charged to the award were allowable, supported, and properly allocated in compliance with award requirements. We did not identify issues related to travel, supplies, or other direct expenditures. However, we did detect unsupported transactions in personnel expenditures in the amount of \$10,843, as described in the following section. In addition, we found \$39,290 in equipment expenditures, \$24,625 in consultant expenditures, and \$34,345 in contract expenditures that we identified as questioned costs because NORWESCAP did not ensure the reasonableness of the costs.

Table 2

Expenditures by Cost Elements

Cost Element	Total Budgeted (\$)	Total Spent (\$)
Personnel	\$106,428	\$84,260
Fringe Benefits	30,337	7,624
Travel	5,841	2,592
Equipment	50,215	39,590
Supplies	7,950	2,785
Consultants	186,779	118,677
Other	37,450	21,380
Total:	\$425,000	\$276,908

Source: OJP's Grants Management System and NORWESCAP accounting records as of September 30, 2020.

Personnel Expenditures

According to the DOJ Grants Financial Guide, award recipients are required to apply a system of internal controls that provides a reasonable assurance that charges are accurate, allowable, and properly allocated.

Also, salaries and fringe benefits provided by federal awards must be based on records that accurately reflect the work performed and comply with the established policies and practices of the organization. Salaries and wages are required to be supported by items such as timesheets, time and effort reports, or other activity reports.

Based on our review of NORWESCAP's payroll procedures, we found that NORWESCAP adhered to controls with its process of approvals of employee timesheets. However, we identified transactions in the amount of \$10,843 to reallocate a former Chief Financial Officer's salary and fringe benefits to the award without support or calculations to verify the reallocation's accuracy. Through our review, we determined this appeared to be an isolated incident made by a former employee that did not comply with NORWESCAP's policies and procedures.

Salary and Fringe Benefits

The approved grant budget included salaries and fringe benefits for two positions, a Project Coordinator, who ensures the goals of the project are met, and the Chief Financial Officer, who completes the financial reports and compiles financial information for the project. We tested 10 expenditures totaling \$25,920 of the total \$101,278 charged to the grant or approximately 26 percent of the total grant-related salary charges.

Of the 10 expenditures we tested, we found 1 expenditure for a former CFO that was not fully supported with appropriate documentation in the amount of \$9,400. We expanded our testing to include similar and more current journal entries and did not find the same issue and concluded this was an isolated incident.

We also tested fringe benefit expenditures to determine if the expenditures were supported and allowable, and generally found that the transactions were appropriate. However, after detecting the issue noted above, we expanded our sample to include all entries associated with that salary expenditure. We found another four transactions, totaling \$1,443, for fringe benefits associated with unsupported salary expenditure that were also unsupported. NORWESCAP officials agreed that these expenditures were not supported, and that current management would not allow such expenditures to take place. Based on our testing of salary and fringe benefits charged to the grant, we recommend OJP remedy \$10,843 in personnel costs associated with unsupported salary and fringe expenditures.

Equipment Expenditures

Equipment expenditures included \$39,290 for surveillance cameras and outdoor lighting in the South Main Street Corridor to increase crime control efforts. Although NORWESCAP used grant funding to pay for these expenditures, it relied on the Phillipsburg Police Department (PPD) to manage the procurement of the equipment, including the selection of the vendor and negotiating the price of the equipment. NORWESCAP told us it did not manage the procurement itself because the equipment was part of an ongoing PPD project. However, NORWESCAP officials told us they did not ensure PPD's purchases complied with grant requirements and did not obtain documentation regarding the expenditures. Specifically, NORWESCAP told us it did not oversee the procurements ensuring that PPD sufficiently detailed the:

- rationale for the method of procurement;
- selection of contract type;
- contractor selection or rejection; and
- the basis for the contract price.

We also found that NORWESCAP was unable to support the costs of the equipment, totaling \$39,290, were adequately analyzed, documented, and deemed reasonable and, as a result, we were unable to determine whether the prices associated with these equipment expenditures were reasonable.

Officials told us they should have ensured that NORWESCAP's procurement policies were applied to these expenditures and will do so in the future in similar circumstances. In light of our finding, we recommend that OJP ensures NORWESCAP develops and adheres to policies and procedures to adequately analyze and document the reasonableness of equipment when it uses grant funding to make equipment expenditures negotiated to a third party. We also recommend OJP remedy \$39,290 in unsupported equipment expenses that lacked an adequate justification of price demonstrating the costs were reasonable.

Consultant/Contractor Expenditures

According to the DOJ Grants Financial Guide, when obtaining services from consultants and contractors, grantees should ensure that appropriate processes are used to obtain those services through fair competition, or in the case of a sole source procurement, that adequate justification for the sole source is documented. In addition, the services or functions performed by the consultants should be appropriately supported with documentation demonstrating the work performed. Based on our audit, we determined NORWESCAP did not comply with the financial guide requirements as described in the consultants and contractors sections below.

Consultants

NORWESCAP's grant award approved two consultants, (1) the research partner, East Stroudsburg University, that was to create data surveys and analysis, collect crime information from various law enforcement agencies, and compile the final study of results; and (2) the PPD, which provided specialized law enforcement strategies in the high crime target area. We determined that NORWESCAP's consultant expenditures were authorized by OJP in the grant budget. However, we found issues with the process of selecting consultants, consultant rate verification, and review of time and effort reports.

In recruiting consultants for the grant-funded project, NORWESCAP officials stated that they sought out other research partners at the onset of the project, and that one of their intended consultants stated they did not have the resources to complete the project. However, we did not receive any evidence that NORWESCAP used an appropriate selection process for its consultants. Further, NORWESCAP officials told us they did not have documentation regarding the negotiation of rates paid to consultants that would demonstrate these rates were determined to have been fair and reasonable. In addition, NORWESCAP did not consistently collect and retain time and effort reports along with invoices and did not demonstrate that

invoices and supporting documentation were properly reviewed prior to payment. NORWESCAP officials stated that the Program Manager was collecting time and effort reports, but stated they were not verifying the rate for reasonableness and only verified that the agreed upon work was being provided. In addition, based on our review of the time and effort reports that were collected by program personnel, we found that the documentation did not include a breakdown of what each consultant accomplished, and no time and effort reports for the consultants indicating what aspects of the project their work accomplished. As a result, we found that NORWESCAP did not obtain appropriate documentation supporting the payment of consultant expenses for the project.

NORWESCAP officials stated that a previous employee may have had documentation demonstrating the selection process used, establishing that the process was open and fair, however no additional documentation was provided.

Therefore, we recommend OJP ensures NORWESCAP adheres to policies and procedures to document compliance with federal procurement standards related to consultant expenditures including procedures to establish rate reasonableness and collection of adequate time and effort reports to support consultant expenditures. We also recommend OJP remedy \$24,625 in consultant expenditures not supported by time and effort reports.

Contractors

For the grant-funded project, we found that NORWESCAP entered into a contract to develop a strategic plan that would document and address conditions within the high-crime target area that were to be corrected through the project. We determined that NORWESCAP obtained appropriate documentation that demonstrated that the payments to this contractor were supported and allowable. However, we determined that NORWESCAP entered into this contract as a sole source fixed price contract and did not provide appropriate justification for doing so as required by the DOJ Grants Financial Guide. Additionally, we found that NORWESCAP was unable to provide documentation that the cost of the services provided by the contractor were reasonable. We requested documentation demonstrating that a cost analysis for the service provided was performed, or other justification for the cost of the \$34,345 contract was appropriate. NORWESCAP officials stated that they contacted two other entities and one was not interested in the project, but could not provide any documentation demonstrating that this had occurred, or that the sole source contract was fully justified. NORWESCAP officials stated that this would not occur in the future and that a former employee may have had additional documentation that could not be located.

As a result of the use of a sole source contract without documentation of appropriate justification, we recommend that OJP ensures NORWESCAP adheres to policies and procedures to maintain records sufficient to detail the history of procurements that demonstrate compliance with federal procurement standards. We also recommend that OJP remedy \$34,345 in unsupported contract expenditures that lacked sufficient documentation regarding the history of procurement.

Budget Management and Control

According to the DOJ Grants Financial Guide, grant recipients are responsible for establishing and maintaining an adequate accounting system, which includes the ability to compare actual expenditures or outlays with budgeted amounts for each award. Additionally, the grant recipient must initiate a Grant

Adjustment Notice for a budget modification that reallocates funds among budget categories if the proposed cumulative change is greater than 10 percent of the total award amount.

We compared grant expenditures to the approved budgets to determine whether NORWESCAP transferred funds among budget categories in excess of 10 percent. We determined that the cumulative difference between category expenditures and approved budget category totals was not greater than 10 percent.

Drawdowns

According to the DOJ Grants Financial Guide, an adequate accounting system should be established to maintain documentation to support all receipts of federal funds. If, at the end of the grant award, recipients have drawn down funds in excess of federal expenditures, unused funds must be returned to the awarding agency. According to NORWESCAP's written policy, drawdown requests are made periodically as needed on a reimbursement basis.

As of April 2, 2021, NORWESCAP draw down requests totaled \$276,908 for the grant award. To assess whether NORWESCAP managed grant receipts in accordance with federal requirements, we compared the total amount reimbursed to the total expenditures in the accounting records. During this audit, we did not identify significant deficiencies related to NORWESCAP's process for developing drawdown requests.

Federal Financial Reports

According to the DOJ Grants Financial Guide, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report as well as cumulative expenditures. To determine whether NORWESCAP submitted accurate FFRs, we compared 6 of the 17 reports to NORWESCAP's accounting records. We found that 5 of the 6 FFRs tested were accurate. For one FFR, we found NORWESCAP incorrectly used its cumulative data in the quarterly expenditures section inflating the cumulative difference by \$179,716.38. However, in its next submission, NORWESCAP corrected this error. We also tested seven FFRs for timeliness and found that NORWESCAP was submitting timely FFRs.

We determined that quarterly and cumulative expenditures for the reports reviewed matched the accounting records and were submitting them on a timely basis.

Conclusion and Recommendations

As a result of our audit testing, we conclude that NORWESCAP did not adhere to all of the grant requirements we tested, but demonstrated adequate progress towards achieving the grant's stated goals and objectives. We did not identify significant issues regarding financial management, budget management, drawdowns, and federal financial reports. However, we found that NORWESCAP did not comply with essential award conditions related to personnel grant expenditures and appropriately documenting the use of consultants and contractors. We provide seven recommendations to OJP to address these deficiencies.

We recommend that OJP:

1. Remedy \$10,843 in personnel costs associated with unsupported salary and fringe expenditures.
2. Ensures NORWESCAP develops and adheres to policies and procedures to adequately analyze and document the reasonableness of equipment when it uses grant funding to make equipment expenditures negotiated to a third party.
3. Remedy \$39,290 in unsupported equipment expenses that lacked an adequate justification of price demonstrating the costs were reasonable.
4. Ensures NORWESCAP adheres to policies and procedures to document compliance with federal procurement standards related to consultant expenditures including procedures to establish rate reasonableness and collection of adequate time and effort reports to support consultant expenditures.
5. Remedies \$24,625 in unsupported questioned costs related to consultant expenditures not supported by time and effort reports.
6. Ensures NORWESCAP adheres to policies and procedures to maintain records sufficient to detail the history of procurements that demonstrate compliance with federal procurement standards.
7. Remedies \$34,345 in unsupported contract expenditures that lacked sufficient documentation regarding the history of procurement.

APPENDIX 1: Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to determine whether costs claimed under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant; and to determine whether the grantee demonstrated adequate progress towards achieving the program goals and objectives. To accomplish these objectives, we assessed performance in the following areas of grant management: program performance, financial management, expenditures, budget management and control, drawdowns, and federal financial reports.

Scope and Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This was an audit of Office of Justice Programs (OJP) grant awarded to the Northwest New Jersey Community Action Partnership (NORWESCAP) under the Bureau of Justice Assistance Byrne Criminal Justice Innovation Program. NORWESCAP was awarded \$425,000, and as of April 2, 2021, had drawn down \$276,908 of the total grant funds awarded. Our audit concentrated on, but was not limited to September 26, 2016, the award date for Grant Number 2016-AJ-BX-0009, through April 2021, the last day of our audit work. As a result of the COVID-19 pandemic response, we performed our audit fieldwork exclusively in a remote manner. The project period for Grant Number 2016-AJ-BX-0009 was originally from October 1, 2016 and ending on September 30, 2018, but an extension was granted to utilize the funding till September 30, 2021. As a result of the COVID-19 pandemic response, we performed our audit fieldwork exclusively in a remote manner.

To accomplish our objectives, we tested compliance with what we consider to be the most important conditions of NORWESCAP's activities related to the audited grants. We performed sample-based audit testing for grant award expenditures including payroll and fringe benefit charges, financial reports, and progress reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grant reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. The DOJ Grants Financial Guide and the award documents contain the primary criteria we applied during the audit.

During our audit, we obtained information from OJP's Grants Management System, as well as NORWESCAP's accounting system specific to the management of DOJ funds during the audit period. We did not test the reliability of those systems as a whole, therefore any findings identified involving information from those systems were verified with documentation from other sources.

Internal Controls

In this audit, we performed testing of internal controls significant within the context of our audit objectives. We did not evaluate the internal controls of NORWESCAP to provide assurance on its internal control structure as a whole. NORWESCAP management is responsible for the establishment and maintenance of internal controls in accordance with the Uniform Guidance (Title 2 C.F.R. § 200). Because we do not express an opinion on NORWESCAP's internal control structure as a whole, we offer this statement solely for the information and use of NORWESCAP and OJP.¹

In planning and performing our audit, we identified the following internal control components and underlying internal control principles as significant to the audit objectives:

Internal Control Components & Principles Significant to the Audit Objectives
Control Environment Principles
Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.
Control Activity Principles
Management should design control activities to achieve objectives and respond to risks.
Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
Management should implement control activities through policies.
Information & Communication Principles
Management should use quality information to achieve the entity's objectives.

We assessed the effectiveness of these internal controls and did identify deficiencies that we believe could affect NORWESCAP's ability to effectively and efficiently operate, to correctly state financial and/or performance information, and to ensure compliance with laws and regulations. The internal control deficiencies we found are discussed in the Audit Results section of this report. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

¹ This restriction is not intended to limit the distribution of this report, which is a matter of public record.

APPENDIX 2: Schedule of Dollar-Related Findings

Description	Grant No.	Amount	Page
Questioned Costs:²			
Unsupported Salary Expense	2016-AJ-BX-0009	\$9,400	6
Unsupported Fringe Benefits Expense	2016-AJ-BX-0009	1,443	6
Unsupported Equipment Expenditures	2016-AJ-BX-0009	39,290	6-7
Unsupported Consultant Expenditures	2016-AJ-BX-0009	24,625	7-8
Unsupported Contract Expenditures	2016-AJ-BX-0009	<u>34,345</u>	7-8
Unsupported Costs		\$109,103	
TOTAL DOLLAR-RELATED FINDINGS		<u>\$109,103</u>	

² **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements; are not supported by adequate documentation at the time of the audit; or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, the provision of supporting documentation, or contract ratification, where appropriate.

APPENDIX 3: The Office of Justice Program's Response to the Draft Audit Report



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

January 13, 2022

MEMORANDUM TO: Thomas O. Puerzer
Regional Audit Manager
Philadelphia Regional Audit Office
Office of the Inspector General

FROM: Ralph E. Martin
Director *Ralph E. Martin*

SUBJECT: **Response to the Draft Audit Report, Audit of the Office of Justice Programs Grant Awarded to the Northwest New Jersey Community Action Partnership, Phillipsburg, New Jersey**

This memorandum is in reference to your correspondence, dated December 14, 2021, transmitting the above-referenced draft audit report for the Northwest New Jersey Community Action Partnership (NORWESCAP). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains seven recommendations and \$109,103 in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by OJP's response.

- 1. We recommend that OJP remedy \$10,843 in personnel costs associated with unsupported salary and fringe expenditures.**

OJP agrees with the recommendation. In its response, dated December 21, 2021, NORWESCAP stated that it had reversed the \$10,843 in unsupported personnel costs that were charged to Grant Number 2016-AJ-BX-0009, and provided a copy of the journal entry, dated July 31, 2021. However, NORWESCAP did not provide a copy of the detailed general ledger report for the grant, to confirm that the adjustment flowed to the grant account. Accordingly, we will work with NORWESCAP to obtain documentation to support the adjustment made to remove the \$10,843 in unsupported salary and fringe benefits expenditures from the grant account for Grant Number 2016-AJ-BX-0009.

2. **We recommend that OJP ensures NORWESCAP develops and adheres to policies and procedures to adequately analyze and document the reasonableness of equipment when it uses grant funding to make equipment expenditures negotiated to a third party.**

OJP agrees with the recommendation. In its response, dated December 21, 2021, NORWESCAP provided a copy of its *Purchasing & Inventory II* policies and procedures, which it stated were updated on March 2, 2020. NORWESCAP also stated that the transactions that did not comply with these policies and procedures occurred in 2019. NORWESCAP further stated that it has taken an aggressive stance at training staff and enforcing the updated procurement procedures. We believe the procurement policies and procedures are adequate to address this recommendation, and document the reasonableness of equipment, negotiated to a third party, when Federal grant funding is used. However, NORWESCAP did not provide a signed version of the procedures; nor evidence of formal approval by its Board of Directors, or distribution to staff.

Accordingly, we will coordinate with NORWESCAP to obtain: a signed version of its *Purchasing & Inventory II* policies and procedures; documentation of formal approval by its Board of Directors; and documentation of distribution to staff responsible for managing Federal grant funds.

3. **We recommend that OJP remedy \$39,290 in unsupported equipment expenses that lacked an adequate justification of price demonstrating the costs were reasonable.**

OJP agrees with the recommendation. In its response, dated December 21, 2021, NORWESCAP stated that it verified that the equipment was delivered, but did not assess the reasonableness of the \$39,290 in unsupported equipment costs that were charged to Grant Number 2016-AJ-BX-0009. NORWESCAP also stated that the quotation for the equipment was part of an ongoing project undertaken by the Town of Phillipsburg Police Department, which was expanded with support from the grant, and that the NORWESCAP program staff mistakenly believed that the purchases were compliant with DOJ procedures. NORWESCAP further stated that its updated fiscal processes will prevent future expenditures without adequate documentation; however, NORWESCAP did not state how it will remedy the \$39,290 in questioned costs.

Accordingly, we will review the \$39,290 in questioned costs, related to unsupported equipment expenditures that lacked adequate justification that were charged to Grant Number 2016-AJ-BX-0009, and will work with NORWESCAP to remedy, as appropriate.

4. **We recommend that OJP ensures NORWESCAP adheres to policies and procedures to document compliance with federal procurement standards related to consultant expenditures including procedures to establish rate reasonableness and collection of adequate time and effort reports to support consultant expenditures.**

OJP agrees with the recommendation. In its response, dated December 21, 2021, NORWESCAP provided a copy of its *Purchasing & Inventory II* policies and procedures, which it stated were updated on March 2, 2020. NORWESCAP also stated that the transactions that did not comply with these policies and procedures occurred in 2019, and that new staff hired at the time did not have adequate knowledge about the procurement standards. NORWESCAP further stated that it is now more rigorous in verifying and requesting time and effort reports on all grant consultant expenditures, and that payments will not be made without adequate supporting documentation. However, the *Purchasing and Inventory II* policies and procedures do not include specific procedures related to consultant expenditures.

Accordingly, we will coordinate with NORWESCAP to obtain a copy of revised written policies and procedures, implemented to ensure compliance with Federal procurement standards, related to consultant expenditures, including procedures to establish rate reasonableness and the collection of adequate time and effort reports.

5. **We recommend that OJP remedies \$24,625 in unsupported questioned costs related to consultant expenditures not supported by time and effort reports.**

OJP agrees with the recommendation. In its response, dated December 21, 2021, NORWESCAP stated that the \$24,625 in unsupported consultant costs, that were charged to Grant Number 2016-AJ-BX-0009, were paid based on a summary of the tasks performed under the scope of work, which lacked a detailed breakdown of the hours worked by the consultants, due to the new project staff's misinterpretation of a time and effort report. NORWESCAP also stated that it had requested all consultants, paid from grant funds, to provide adequate reports going forward, including time and effort based on the scope of work; and that all subsequent invoices included the appropriate breakdown of costs. However, NORWESCAP did not state how it will remedy the \$24,625 in questioned costs, related to these costs.

Accordingly, we will review the \$24,625 in questioned costs, related to unsupported consultant expenditures that were charged to Grant Number 2016-AJ-GX-0009, and will work with NORWESCAP to remedy, as appropriate.

6. We recommend that OJP ensures NORWESCAP adheres to policies and procedures to maintain records sufficient to detail the history of procurements that demonstrate compliance with federal procurement standards.

OJP agrees with the recommendation. In its response, dated December 21, 2021, NORWESCAP provided a copy of its *Purchasing & Inventory II* policies and procedures, which it stated were updated to include both Federal and State procurement standards. NORWESCAP also stated that its standard is to present any internal control updates to the NORWESCAP Board of Trustees every two years. NORWESCAP further stated that lack of adequate staff training caused the deficiencies in this area. While we believe the procurement policies and procedures are adequate to address this recommendation, and ensure that NORWESCAP maintains records sufficient to detail the history of procurements that demonstrate compliance with Federal procurement standards, NORWESCAP did not provide a signed version of the procedures; nor evidence of formal approval by its Board of Directors, or distribution to staff.

Accordingly, we will coordinate with NORWESCAP to obtain: a signed version of its *Purchasing & Inventory II* policies and procedures; documentation of formal approval by its Board of Directors; and documentation of distribution to staff responsible for managing Federal grant funds.

7. We recommend that OJP remedies \$34,345 in unsupported contract expenditures that lacked sufficient documentation regarding the history of procurement.

OJP agrees with the recommendation. In its response, dated December 21, 2021, NORWESCAP acknowledged errors in documenting the search for a Crime Prevention Through Environmental Design (CPTED) expert; and that two organizations identified the vendor as a consultant with the particular CPTED expertise which it was seeking under Grant Number 2016-AJ-BX-0009. NORWESCAP also stated that, in addition to the CPTED expertise, the vendor had specific market analysis relevant to the project area; therefore, NORWESCAP erroneously believed that these two unique attributes met the standard for a sole-source provider. NORWESCAP further stated that its staff has been trained on the specific criteria required for a vendor to be selected as a sole-source provider under a Federal award. However, NORWESCAP did not state how it will remedy the \$34,345 in questioned costs.

Accordingly, we will review the \$34,345 in questioned costs, related to supported contract expenditures that lacked sufficient documentation regarding the history of procurement, that were charged to Grant Number 2016-AJ-BX-0009, and will work with NORWESCAP to remedy, as appropriate.

We appreciate the opportunity to review and comment on the draft audit report. If you have any questions or require additional information, please contact Jeffery A. Haley, Deputy Director, Audit and Review Division, on (202) 616-2936.

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Justice Management Division

OJP Executive Secretariat
Control Number IT20211215124532

APPENDIX 4: The Northwest New Jersey Community Action Partnership's Response to the Draft Audit Report



December 21, 2021

Thomas O. Puerzer
Regional Audit Manager
Philadelphia Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
701 East Market Street, Suite 2300

Dear Mr. Puerzer:

Norwescap, a nonprofit organization serving low-income New Jersey residents since 1965, has been fortunate to participate in the U.S. Department of Justice's Brennan Criminal Justice Initiative (BCJI). This program has allowed our organization to partner with, and channel resources to, the Phillipsburg Police Department in an effort to reduce crime and revitalize the Town of Phillipsburg. Norwescap agrees with the findings of the audit report and has taken appropriate actions to ensure that organization's policies and procedures comply with Federal policies and procedures.

We attribute the procedural errors to the timing of a significant leadership transition at the organization (i.e. Executive Director, Assistant Director and CFO) and the desire to achieve the deliverables outlined in the grant within the original grant time frame (which was later extended). We have taken significant steps to ensure future procedural compliance including training, strict enforcement and a full review and update of our organization's policies and procedures in 2020.

It should be noted that, despite the procedural issues outlined in the draft report, all expenses were for items in the approved budget that were necessary and appropriate to achieve the stated objectives in the grant. It is also important to note that because of the work performed as a result of this grant that the Phillipsburg Police Department now has many data tools and systems in place that have created a culture of data-driven crime prevention strategies that were not available prior to the grant. These results were achieved at a cost that was significantly less than the original approved budget.

In the attached document we address each of the concerns raised in the draft report with the steps we have taken to remedy those issues. We acknowledge and agree with findings, have taken appropriate actions to remedy those items and have achieved the goals and objectives of the grant for less than the original budget. Thank you for the opportunity to participate in the BCJI program.

Sincerely,



Marc Valli
CEO

**Creating Opportunities.
Changing Lives.**

350 Marshall Street
Phillipsburg, NJ 08865

TEL 908.454.7000

FAX 908.859.0729

norwescap.org  

Norwescap Remedy Responses:

1. Finding: Remedy \$10,843 in personnel cost associated with unsupported salary and fringe benefits.
 - Agree. Norwescap has reversed the entry via Journal entry # 7218 on 7/30/2021 thus nullifying the expenditure on the BCJI grant for the unsupported personnel cost . Copy of the JE was sent to [REDACTED] (see attached). Funds disbursement from OJP include this reduction.
2. Finding: Ensures NORWESCAP develops and adheres to policies and procedures to adequately analyze and document the reasonableness of equipment when it uses grant funding to make equipment expenditures negotiated to a third party.
 - Agree. Norwescap has in place policies and procedures that were updated on March 2, 2020. These updated policies include rigorous procurement policies. However, these transactions did not comply to the policies and procedures as the transaction date was in 2019 before the policy revision as approved. This issue was compounded with staff turnover and transition leading to new staff hire not familiar or adequately knowledgeable with the procurement standards. The current CFO has taken an aggressive stance at training staff and enforcing the updated procedures.

3. Finding: Remedy \$39,290 in unsupported equipment expenses that lacked the adequate justification of price demonstrating the cost were reasonable.
 - Agree. Norwescap did verify that the equipment was delivered due to continuous monitoring of the project but erred by not assessing the reasonableness of the items cost. The quotation was part of an ongoing project undertaken by the town of Phillipsburg Police department and Norwescap supported the expansion of the project through the BCJI grant. At the time, program staff mistakenly believed that because the purchases were part of an on-going municipal process, that the purchases were compliant with DOJ procedures. Norwescap's updated fiscal processes will prevent future expenditures without adequate documentation.
4. Finding: Ensures NORWESCAP adheres to policies and procedures to document compliance with federal procurement standards related to consultant expenditures including procedures to establish rate reasonableness and collect adequate time and effort reports to support consultant expenditures.
 - Agree. Norwescap has in place policies and procedures that were updated on March 2, 2020 that includes rigorous procurement policies. However, these transactions did not comply to the policies and procedures as the transaction date was in 2019 before the policy revision as approved compounded with staff transition, new staff hire not familiar or adequately knowledgeable with the procurement standards. Norwescap is now more rigorous in verification and requesting time and effort reports on all grant consultants' expenditures. No payment will be made due to the lack of adequate supporting documentation.
5. Finding: Remedy \$24,625 in unsupported questioned costs related to consultant expenditures not supported by time and effort reports.
 - Agree. The consultant cost was paid with a narrative in summary of the work done based on the scope of work. The invoice lacked detailed breakdown of hours worked by individuals. This was an oversight due to the staff transition and the new project staff misunderstanding of the interpretation of a time and effort report due to adequate training and transition. Norwescap has requested all consultants for grants to provide adequate reports including time and effort based on the scope of work going forward. It should be noted that despite the inadequate cost breakdown, all subsequent invoices included the appropriate breakdown of costs (time and effort reports). Additionally, the work performed was truly transformative for the Phillipsburg Police Department, helping them build a truly data-driven system that helps identify hot spots to prevent crime and was both a budgeted item and achieved one of the approved outcomes of the grant.

6. Finding: Ensure NORWESCAP adheres to policies and procedures to maintain records sufficient to detail history of procurement that demonstrate compliance with federal procurement standards.
 - Agree. Norwescap revised policies and procedures were updated to ensure that both Federal and State procurement standards are imbedded in the agency policies. We are constantly reviewing these policies to ensure a more stringent guideline be met at all time. In fact, our standard is to present any changes/updates to the internal controls to the Norwescap Board of Trustees every 2 years. Again, it should be pointed out that lack of adequate training due to staff transition was in important factor that caused deficiency in these areas.

7. Finding: Remedy \$34,345 in unsupported contract expenditures that lacked sufficient documentation regarding the history of procurement.
 - Agree. Norwescap acknowledges errors in documenting the search for a CPTED expert, but due to the lack of availability of CPTED expertise the JGSC group was contracted. Norwescap had no formal history dealing with the JGSC Group, a well-respected urban planning organization that specializes in crime prevention consultation. Given the nature of the funded project, Norwescap was seeking urban planning organization with expertise in 'Crime Prevention Through Environmental Design' (CPTED). Norwescap staff spoke with two organizations to identify a consultant that had the particular CPTED expertise and was referred to JGSC Group. Additionally, JGSC had recently contracted with Phillipsburg in 2017 to create a market analysis and recruitment toolkit for Phillipsburg's South Main Street corridor to the north of the BCJI project area. Therefore, JGSC was the only company staff could identify with the expertise in the scope of CPTED, and who had specific market analysis relevant to the BCJI project area. Norwescap staff erroneously believed that these two unique attributes met the standard for of a 'sole-source provider'. Staff have since been trained on the specific criteria required for a vendor to be considered a sole-source provider. Despite the documentation issues identified above, it should be noted that the work product produce by JGSC was thorough, provided tangible recommendations for municipal improvements, leveraged additional funding to sustain the BCJI project and was enthusiastically received by the Phillipsburg Town Council. This was also an approved budget item and a specific work product approved in the grant.

APPENDIX 5: Office of the Inspector General Analysis and Summary of Actions Necessary to Close the Audit Report

The OIG provided a draft of this audit report to the Office of Justice Programs (OJP) and Northwest New Jersey Community Action Partnership (NORWESCAP). OJP's response is incorporated in Appendix 3 and NORWESCAP's response is incorporated in Appendix 4 of this final report. In response to our draft audit report, OJP agreed with our recommendations and, as a result, the status of the audit report is resolved. NORWESCAP agreed with the recommendations and outlined actions it will take to address them. The following provides the OIG analysis of the response and summary of actions necessary to close the report.

Recommendation for OJP:

1. Remedy \$10,843 in personnel costs associated with unsupported salary and fringe expenditures.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it will work with NORWESCAP to obtain documentation to support the adjustments made to remove the \$10,843 in unsupported salary and fringe benefit expenditures from the grant account. As a result, this recommendation is resolved.

NORWESCAP agreed with our recommendation and stated in its response that it reversed the journal entry on July 30, 2021, thus nullifying the expenditure on the BCJI grant for the unsupported personnel costs.

This recommendation can be closed when we receive documentation to support the adjustments made to remove the \$10,843 in unsupported salary and fringe benefit expenditures from the grant account.

2. Ensures NORWESCAP develops and adheres to policies and procedures to adequately analyze and document the reasonableness of equipment when it uses grant funding to make equipment expenditures negotiated to a third party.

Resolved. OJP agreed with our recommendation. OJP stated in its response that it believes the updated procurement policies and procedures provided by NORWESCAP are adequate to address this recommendation. However, OJP stated it was never provided a signed version of the procedures or evidence of formal approval by a Board of Directors or distribution to staff. OJP will coordinate with NORWESCAP to obtain a signed version of its Purchasing & Inventory II policies and procedures, documentation of formal approval by its Board of Directors, and documentation of distribution to staff responsible for managing federal grant funds. As a result, this recommendation is resolved.

NORWESCAP agreed with our recommendation and stated in its response it updated its policies and procedures in March 2020. However, the transactions discussed were made in 2019 before the policy revision was approved. It stated this problem was compounded by staff turnover and

transition leading to new staff hires who were not familiar or adequately knowledgeable with the procurement standards.

This recommendation can be closed when we receive a signed version of NORWESCAP Purchasing & Inventory II policies and procedures; documentation of formal approval by its Board of Directors; and documentation of distribution to staff responsible for managing Federal grant funds.

3. Remedy \$39,290 in unsupported equipment expenses that lacked an adequate justification of price demonstrating the costs were reasonable.

Resolved. OJP agreed with our recommendation; as a result, this recommendation is resolved. OJP stated in its response that NORWESCAP did not reply how it will remedy the \$39,290 in questioned costs and will work with NORWESCAP to remedy the costs, as appropriate.

NORWESCAP agreed with our recommendation and stated in its response it verified that the equipment was delivered due to continuous monitoring of the project, but erred by not assessing the reasonableness of the items' cost. The quotation was part of an ongoing project undertaken by the town of Phillipsburg Police department and NORWESCAP supported the expansion of the project though the BCJI grant. NORWESCAP stated the program staff mistakenly believed that because the purchases were part of an on-going municipal process, that the purchases were compliant with DOJ procedures. In addition, NORWESCAP stated its updated fiscal processes will prevent future expenditures without adequate documentation.

This recommendation can be closed when we receive evidence that NORWESCAP has remedied the questioned costs for the unsupported equipment expenditures totaling \$39,290.

4. Ensures NORWESCAP adheres to policies and procedures to document compliance with federal procurement standards related to consultant expenditures including procedures to establish rate reasonableness and collection of adequate time and effort reports to support consultant expenditures.

Resolved. OJP agreed with our recommendation; as a result, this recommendation is resolved. OJP stated in its response that NORWESCAP provided a copy of its Purchasing & Inventory II policies and procedures, however, it did not include specific procedures related to consultant expenditures. OJP stated it will coordinate with NORWESCAP to obtain a copy of revised written policies and procedures to ensure compliance with federal procurement standards, related to consultant expenditures, including procedures to establish rate reasonableness and the collection of adequate time and effort reports.

NORWESCAP agreed with our recommendation and stated in its response it has updated its in March 2020 policies and procedures that include rigorous procurement policies. NORWESCAP also stated it is now more rigorous in verification and requesting time and effort reports on all grant consultant expenditures and no payment will be made without adequate supporting documentation.

This recommendation can be closed when we receive evidence that NORWESCAP has implemented revised written policies and procedures that comply with federal procurement standards, related to consultant expenditures, including procedures to establish rate reasonableness and the collection of adequate time and effort reports.

5. Remedies \$24,625 in unsupported questioned costs related to consultant expenditures not supported by time and effort reports.

Resolved. OJP agreed with our recommendation; as a result, this recommendation is resolved. OJP stated in its response that NORWESCAP did not reply as to how it will remedy the \$24,625 in questioned costs, and it will work with NORWESCAP to remedy the costs, as appropriate.

NORWESCAP agreed with our recommendation and stated in its response the consultant costs were paid with a narrative summary of the work done based on the scope of work. In addition, NORWESCAP stated in its response that the invoices lacked detailed breakdown of hours worked by individuals, and that this was an oversight due to staff transitions and the new project staff misunderstanding the interpretation of a time and effort report due to inadequate training. NORWESCAP has requested that all consultants provide adequate reports, including time and effort, based on the scope of their work going forward.

This recommendation can be closed when receive evidence that NORWESCAP has remedied the questioned costs for the unsupported consultant expenditures totaling \$24,625.

6. Ensures NORWESCAP adheres to policies and procedures to maintain records sufficient to detail the history of procurements that demonstrate compliance with federal procurement standards.

Resolved. OJP agreed with our recommendation; as a result, this recommendation is resolved. OJP stated in its response it believes the updated procurement policies and procedures are adequate to address this recommendation. However, OJP was not provided a signed version of the procedures or evidence of formal approval by its Board of Directors, or that the document was distributed to staff. OJP will coordinate with NORWESCAP to obtain a signed version of its Purchasing & Inventory II policies and procedures, as well as documentation of formal approval by its Board of Directors, and documentation of distribution to staff responsible for managing federal grant funds.

NORWESCAP agreed with our recommendation and stated in its response it has revised policies and procedures that were updated to ensure that both federal and state procurement standards are imbedded in agency policies. In addition, it also pointed to a lack of adequate training due to staff transition that created the noncompliance issues.

This recommendation can be closed when we receive a signed version of NORWESCAP Purchasing & Inventory II policies and procedures, documentation of formal approval by its Board of Directors, and documentation of distribution to staff responsible for managing federal grant funds.

7. Remedies \$34,345 in unsupported contract expenditures that lacked sufficient documentation regarding the history of procurement.

Resolved. OJP agreed with our recommendation; as a result, this recommendation is resolved. OJP stated in its response that NORWESCAP did not reply as to how it will remedy the \$34,345 in questioned costs and it will work with NORWESCAP to remedy the costs, as appropriate.

NORWESCAP agreed with our recommendation and acknowledged errors in documenting the procurement of this contract and provided a description of the process used to award this contract. NORWESCAP also stated that its staff have since been trained on the specific criteria required for a vendor to be considered a sole-source provider.

This recommendation can be closed when receive evidence that NORWESCAP has remedied the questioned costs for the unsupported contract expenditures totaling \$34,345.